



# Getting Ready For Compliance

## *Part B – Financial Monitoring*

**Presented by:**  
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- *To discuss the process used by DHCD to conduct the financial reviews for the NSP Programs.*
- *Discuss the importance of maintaining accurate and complete financial records physically and electronically in order to simplify the monitoring process.*

## **Presentation Purpose**

## **Session Topics:**

- **Federal & State Guidelines**
- **Financial & Accounting Management**
- **Monitoring and Audit Requirements**
- **Recordkeeping and Retention**

**Topics Covered**

# The Intro & Exit Compliance *“Best Practices”*

- ❑ **“Open Book” Practice for documentation**  
*(Highly Recommend Appendix 17 to setup Files)*
- ❑ **Ensure the following team members are available:**
  - ❑ **Grant Administrator**
  - ❑ **Finance Department Representative**
  - ❑ **Applicable Grant Partners Representative**  
*(Housing Authority, Other Not-for-Profits, etc.)*



## State & Local Governments

**OMB Circular A-102, 24 CFR 85**

*Uniform Administrative Requirements*

**OMB Circular A-87 - 2 CFR 225**

*Cost Principles*

## Not-for-Profits

**OMB Circular A-110, 24 CFR 84**

*Uniform Administrative Requirements*

**OMB Circular A-122 - 2 CFR 230**

*Cost Principles*



## Both

**OMB Circular A-133**

*Audit Requirements*

# Federal Compliance Guidance

# **Policy and Procedure Manuals**

**Neighborhood Stabilization Program**

**Virginia Public Procurement Act**



**State Compliance Guidance**

# **It's all about the paper trail!**



## **Financial Management Overview**

# INTERNAL CONTROLS

**Continue to have a sound check and balance for:**

- ☐ **Policies, procedures, and job responsibilities that create accountability.**
- ☐ **Safeguards against waste, fraud and mismanagement of assets.**
- ☐ **Financial Management & Programmatic Systems.**

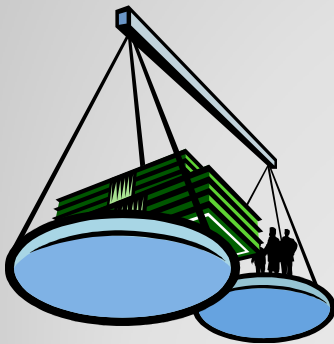


## Financial Management Overview



## All Costs from NSP Grant program should be:

- ❑ Allowable: *Necessary & authorized*
- ❑ Reasonable: *Ordinary & Beneficial*
- ❑ Allocable: *Incurred for a specific program or grant, have consistent treatment with similar costs, and necessary*



## How to prepare of a DHCD Monitoring?

- ❑ Think “Big”, but meticulously plan
- ❑ Communicate regularly with your DHCD rep.
- ❑ Carefully monitor your program budget
- ❑ Keep copies of *all* pertinent documentation
- ❑ Use your available resources
- ❑ Know all of your *program limits*



## Verification in Post-Review

### Changes that should be identified:

- ☐ Assignment of responsibilities
- ☐ Internal controls modifications
- ☐ Approval authority
- ☐ Financial policies & procedures
- ☐ Budget or contract revisions



# **Post-Contract Compliance**

## **How to prepare:**

- ☐ **Be prepared to discuss any changes of your systems**
- ☐ **Have the following financial records ready for review:**
  - **Chart of Accounts**
  - **Contracts**
  - **Bank Statements & Deposits**
  - **Purchase Orders**
  - **Receipts for Cash Expenses**
  - **Copies of Payment Requests/Drawdowns**
  - **Leverage Funds**
  - **Program Income/TCR Report**
  - **System Print-outs of Ledger Reports**

## Deliverables

- Ensure all costs are accounted for...
- ***Delivery*** for all Activities
- Refer to Appendix 3
- Tracking Sample

## Administrative

- Indirect Cost
- Activity **Complete**
- ***Do not*** wait to pay – account for expenses incurred.
- **Maximum** Allowed for OH use is \$5,000.



**Track Cost Carefully & Consistently**

# **Core Monitoring Highlights**

- **Proper receipt and distribution of *all* funds received:**
  - **Invoices from vendors and third-party contractors**
  - **Payments to vendors and third-party contractors**
  - **Cancelled checks**
  - **Drawdown copies (including all revisions)**
  - **EDI Transfers or Check copies for funds received from DHCD**
  - **Bank Statements (for transaction verification)**
  - **Ledger Reports (for transaction verification)**



**IMPORTANT:**  
*Familiarize yourself with the  
compliance forms*

**7 Areas Covered**  
**Recommendations,  
Concerns, or Findings  
Included**



**All Changes  
Notated**  
**Reviewed with  
Grantee**

**NSP Financial Review: *Post-Contract***

## **Audit Requirements**

- ❑ Follow OMB Circular A-133**
  - ❑ A-133 required at \$500,000 Threshold**
  - ❑ Grantees not subject to a federal annual audit must submit a letter to PMO**
  - ❑ Submit audits annually to DHCD**





# **What does DHCD review?**



**Auditor's opinion**

**Report on Internal Control**

**Report on Compliance**

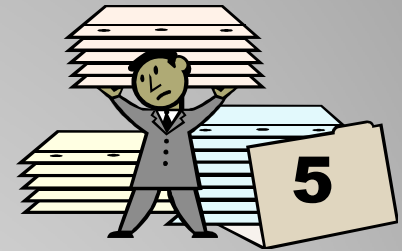
**Schedule of Findings**

**Schedule of Federal Assistance**

**Cash Revenue Reconciliation**

**Audit Review**

# Retention of Financial Records



**Minimum of 5 years after final closeout**

*Exceptions:*

*Litigation occurs prior to end*

*Disposition of nonexpendable property*

**Financial Records for Projects**

# Questions or Comments?

